

2004 GOVERNOR'S SUPPLEMENTAL BUDGET PROPOSAL

BRIEFING PAPER

Prepared for the
January 2004 TRANSPORTATION COMMISSION MEETING

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PURPOSE:

The purpose of this briefing is for presentation of the Governor's 2004 Supplemental Budget.

ACTION/OUTCOME:

The Transportation Commission will review the Governor's 2004 Supplemental Budget for the department.

DISCUSSION:

The Governor released his 2004 Supplemental Transportation Budget proposal on December 18, 2003. Instead of canceling any state highway or ferry projects to address the impact of Initiative 776, the budget uses revenue forecast adjustments, existing fund balances, and additional federal funds to keep the projects on schedule (see Attachment A). The Commission's 2004 Supplemental Budget is compared to the Governor's Budget on Attachments B and C. In summary the Governor's 2004 Supplemental Transportation budget includes the following for the department:

1. Reappropriation Adjustments - Funding is reduced by \$16.1M to reflect the 2001-03 work-in-progress for the 2003-05 biennium:

a) Highway Construction	(\$9.4M)
b) Local Programs	(6.6M)
c) Information Technology	(0.1M)

2. Additional Federal Funding - \$18.6M in federal funding has been received from the Puget Sound Regional Council (Federal Transit Administration), Federal Highway Administration, and Transportation Security Administration. These federal grants, instead of state funds, can be used on existing Ferries capital construction projects during the 2003-05 biennium. Therefore, the state funding for these projects is decreased; cash funding by \$3.0M and bond funding by \$15.6M.

3. Additional Bonding Authority - \$15.6 M in bond authority is transferred from the Ferries Construction program to the Mobility Improvement Program. The bond authority will be used for highway projects instead of state cash.
4. Murray Morgan Bridge - \$10.7M is funded from the Puyallup Tribal Settlement Account to mitigate effects on traffic currently served by the Murray Morgan Bridge in the city of Tacoma.
5. Enhanced Aviation Grant Program - \$2.0M is provided for preservation grants for local public use airports and to implement planning projects supported by Federal Aviation Administration grants.
6. Additional Federal Funds - \$1.0M in federal funds is provided for Local Programs to allow the transfer of the federal appropriation to the Highway Construction program, in exchange for the same amount in state funding.
7. Ferries Insurance Premium Increase – \$0.9M is provided for an insurance premium increase for Ferries as negotiated with the Willis Corporation. Premiums are based on recent claims and existing insurance market conditions.
8. Ferries Fuel Adjustment – Funding for ferry fuel is increased by \$0.6M based on the latest estimated consumption rates and fuel cost index.
9. Ferries Smart Card (Ongoing Costs) - Funding for ongoing costs is decreased by \$0.2M to reflect the revised implementation schedule for the Regional Fare Collection project (Smart Card).
10. Charges from Other Agencies – Funding is reduced by \$0.5M to reflect the decisions made in the 2003-05 Omnibus Budget (passed after the 2003-05 Transportation Budget) and for risk management fees paid through the Operations Transportation Equipment Fund (OTEF).
11. Environmental Benefit Costs Assessment - Funding is eliminated for an information technology project to develop an environmental benefit cost assessment.
12. Fund transfers: - Funding from OTEF (\$8.0M) and the Multimodal Transportation Account (\$3.0M) is transferred to the Motor Vehicle Account (MVA). The transfer from the MVA to the Puget Sound Capital Construction Account is decreased (\$3.0M).

The 2004 Omnibus Supplemental Budget includes reductions for self-insurance premiums and health insurance:

- Savings are projected for self-insurance premiums in dedicated funds and accounts in the same amount as the General Fund-State reduction included in the 2003-05 enacted budget. This results in a decrease of \$5.5M for the department's self-insurance premium.
- The actual cost of health care coverage provided through the Public Employees Benefits Board is less than anticipated in the 2003-05 biennial budget. The resulting fund balance is used to lower planned cost increases for state agencies by \$8.51 per month per employee.

Budget provisos in the Governor's 2004 Transportation Supplemental Budget include the following:

1. Provide flexibility language for changes to the Current Law and New Law (Nickel) Project lists transmitted to LEAP on April 27, 2003.
2. Within existing appropriations for Public Transportation, provide \$0.1M to support Benton County in the development of its Commute Trip Reduction Program.
3. Allow funding for the University of Washington-Bothel campus access project to be used for design in addition to construction costs (\$8.0M).

RECOMMENDATION:

No action is required. The Commission's feedback and comments are recommended to provide guidance during the legislative process as the 2004 Supplement Budget is developed.

For further information, please contact Bill Ford, Budget Chief, at 705-7500.

Attachment A

How the shortfall in the Motor Vehicle Account due to I-776 was addressed in the Governor's 2003-05 Supplemental Budget

Based on WSDOT's supplemental budget request and the September 2003 revenue forecast, WSDOT had projected an approximately \$34 million shortfall in the Motor Vehicle Account due to I-776.

The Governor's budget does not propose reducing highway construction, but uses a variety of sources to fill the gap.

Motor Vehicle Account -- Filling the Gap due to I-776	
Millions of Dollars	
Funds Adjustments	Impact to the Account
Increased revenue due to November forecast update	\$5.2
Increased fund from transferring balances from other accounts	
From Operations Transportation Equipment Fund (OTEF)	8.0
From Multimodal Account	3.0
Decrease transfer to Puget Sound Capital Construction Account (PSCCA)	3.0
Subtotal Fund Transfers	14.0
R-49 bond sales transferred from WSF capital construction to highway construction (federal funding will be used for WSF capital construction projects)	15.6
Increased funds available due to an adjustment to estimated debt service	1.8
Total Funds Adjustments	\$36.6
Expenditure Adjustments	
Net decrease in WSDOT expenditures (increases funds available in the account)	
Office of Information Technology (Program C)	0.9
Self-Insurance Adjustment	-1.6
All Other Programs	0.9
Subtotal WSDOT Expenditure Adjustments	0.2
Net increase in expenditures by Other Agency (decreases funds in the account)	
Dept. of Licensing	0.5
OFM I-776 Costs (funds will likely be allocated to DOL for cost of processing refunds)	-1.2
Subtotal Other Agency Expenditure Adjustments	-0.7
Total Expenditure Adjustments	
(net increase in expenditures results in decreased funds in the account)	-\$0.6
Total Impact of Governor's Supplemental Budget Changes to Address the I-776 Funding Shortfall	\$36.1
<i>Note: the Governor's budget leaves a remaining balance of approximately \$2m.</i>	

Attachment B

WSDOT 2004 SUPPLEMENTAL BUDGET REQUEST

Dollars in Millions

	2003-05 Budget Now in Force	WSDOT's 2004 Supplemental Budget	Governor's 2004 Supplemental Budget
Capital Budget			
Highway Improvements	\$983.5	\$982.8	\$982.8
Tacoma Narrows Bridge	613.3	604.0	604.0
Highway Preservation	657.0	668.6	668.3
Capital Facilities	17.3	17.3	17.3
Traffic Operations	29.2	29.2	29.2
Ferries Construction	182.6	182.6	182.6
Rail	45.3	45.3	45.3
Local Programs	77.2	70.6	70.6
Total Capital Budget	\$2,605.4	\$2,600.4	\$2,600.1
Operating Budget			
Highway Maintenance and Operations	\$290.5	291.1	290.8
Traffic Operations	39.1	39.1	39.2
Ferries Maintenance and Operations	316.1	318.8	318.0
Public Transportation	49.2	49.3	49.2
Rail	35.1	35.1	35.1
Aviation	6.0	8.0	7.7
Local Programs	9.7	9.7	10.7
Transportation Economic Partnerships	1.0	1.0	1.0
Facilities Maintenance & Operations	31.1	31.1	31.1
Program Delivery Management & Support	49.6	49.6	49.6
Transportation Management & Support	27.7	29.0	27.7
Office of Information Technology	70.9	71.7	70.1
Transportation Planning, Data, & Research	48.0	48.0	48.1
Charges from Other Agencies	61.1	54.0	60.6
Total Operating Budget	\$1,035.1	\$1,035.5	\$1,038.9
Total WSDOT Budget	\$3,640.5	\$3,635.9	\$3,639.0

2003-05 Budget Now in Force includes 2003-05 Original Enacted Transportation Budget, the 2003-05 Capital (Omnibus) Budget reduction for Preservation and Rail programs and funding for Everett rail barge facility and Columbia River dredging reappropriation, and the 2003-05 Omnibus Budget funding for compensation adjustments.

2004 Governor's Supplemental Budget does not reflect the self insurance premium rate and health insurance reductions included in the 2004 Omnibus Supplemental Budget.

Attachment C

WSDOT 2004 Supplemental Budget Request

Supplemental Budget Item	Commission's Budget	Governor's Budget
"Drive Better" Campaign	\$1.1M is requested for an advertising campaign, in partnership with the Traffic Safety Commission, to encourage the public to improve driving practices by increasing awareness about how driving habits impact safety and traffic flow. Changing motorist driving behavior is anticipated to be a very cost-effective method of improving the transportation system.	The Governor's Budget does not fund this item.
Reappropriation Adjustments	Funding is reduced by \$16.1M to reflect the 2001-03 work-in-progress for the 2003-05 biennium.	Same as the Commission's Budget.
Murray Morgan Bridge Removal	\$11.0M is requested from the Puyallup Tribal Settlement Account to mitigate the impacts related to the removal of the Murray Morgan Bridge.	The Governor's Budget revises the request to \$10.7M.
Enhanced Aviation Program	\$2.0M is requested for preservation grants for local public use airports and to implement planning projects supported by Federal Aviation Administration grants.	Same as the Commission's Budget.
Ferries Transportation Security	\$1.6M is requested to implement security measures and achieve compliance with the new regulations mandated by the Maritime Transportation Security Act (MTSA) of 2002 and the International Ship and Port Security (ISPS) Code.	The Governor's Budget does not fund this item.
Ferries Insurance Premium Increase	\$0.9M is requested for an insurance premium increase for Ferries as negotiated with the Willis Corporation. Premiums are based on recent claims and existing insurance market conditions	Same as the Commission's Budget.
Ferries Fuel Adjustment	\$0.6M is requested for ferry fuel based on the latest fuel cost index.	The Governor's Budget revises the request to reflect the latest fuel cost index.

Supplemental Budget Item	Commission's Budget	Governor's Budget
Ferries Safety Management System Support	\$0.3M is requested to support the development of a fully functional Safety Management System organization.	The Governor's Budget does not fund this item.
Stormwater Assessment Fees	\$0.6M is requested to fund the increased stormwater fees charged by the cities and counties.	The Governor's Budget does not fund this item.
Ferries Smart Card (Ongoing Costs)	Funding for ongoing costs is decreased by \$0.2M to reflect the revised implementation schedule for the Regional Fare Collection project (Smart Card).	Same as the Commission's Budget.
Collision Location Analysis System	\$0.4M is requested for the software license and two information technology positions to operate and maintain the multi-agency data system.	The Governor's Budget does not fund this item.
Commute Trip Reduction (CTR) Grants	\$0.1M is requested to support participation in the CTR grant program.	Within existing appropriations, \$0.1M is provided to support Benton County in the development of its CTR Program.
Personnel System Reform Act (PSRA) Implementation	\$0.3M is requested for three positions to implement the PSRA within the legislatively mandated timeframe.	The Governor's Budget does not fund this item.
Charges from Other Agencies	Funding is reduced by \$0.1M to reflect fees paid through the Operations Transportation Equipment (OTEF) fund for vehicle inspections.	Funding is reduced by \$0.5M to reflect the decisions made in the 2003-05 Omnibus Budget (passed after the 2003-05 Transportation Budget) and for risk management fees paid through OTEF.
Self Insurance	Based on the latest actuarial study, funding for self-insurance is reduced by \$7.0M.	The projected savings for self insurance premium in the 2004 Omnibus Supplemental Budget results in a decrease of \$5.5M for the department.
Office of Information Technology Environmental Projects	Funding is requested to be transferred to the Environmental Permit and Compliance System project from the Environmental Benefit Cost Assessment System project to better align system development resources with current agency priorities supporting project delivery.	Funding is eliminated for an information technology project to develop an environmental benefit cost assessment.

Supplemental Budget Item	Commission's Budget	Governor's Budget
Additional Federal Funding/ Additional Bonding Authority		\$18.6M in federal funding from the Puget Sound Regional Council (Federal Transit Administration), Federal Highway Administration, and Transportation Security Administration can be used on existing Ferries capital construction projects. Therefore, the cash funding is reduced by \$3.0M and \$15.6 M in bond authority is transferred from Ferries Construction program to Mobility Improvement Program. The bond authority will be used for highway projects instead of state cash.
Additional Federal Funds		\$1.0M in federal funds is provided for Local Programs to allow the transfer of federal funding to Highway Construction program, in exchange for same amount in state funding.
Fund transfers		Funding from OTEF (\$8.0M) and the Multimodal Transportation Account (\$3.0M) is transferred to the Motor Vehicle Account (MVA). The transfer from the MVA to the Puget Sound Capital Construction Account is decreased (\$3.0M).